

Amended FY 2009 & FY 2010 Program Budgets

Presentation to the
Board of Community Health
August 28, 2008



Agenda

- Health Care Access and Improvement and Administration Reductions
- State Health Benefit Plan Status
- Office of Regulatory Services Transfer
- PeachCare for Kids Benefits Financial Status
- Medicaid Benefits Financial Status
- Medicaid/PCK Benefits Proposed Budget Additions and Reductions



HEALTHCARE ACCESS AND IMPROVEMENT & ADMINISTRATION



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

DCH Budget Instructions

The Governor's Office of Planning and Budget directed all state agencies to identify a 6%, 8%, and 10% reduction to their Amended FY 2009 and FY 2010 state fund general appropriation. Medicaid and PeachCare for Kids benefits and State Health Benefit Plan are exempt from these instructions.

Program Budget	2009 State Funds	2010 State Funds
Administration Budget	\$106,922,412	\$106,922,412
Health Care Access Budget	\$14,984,060	\$14,984,060
Less Adjustments to Base	(\$1,799,132)	(\$6,446,113)
Total State Funds Subject to Reduction	\$120,107,340	\$115,460,359
Budget Target @ -6.0%	(\$7,206,440)	(\$6,927,622)
Budget Target @ -8.0%	(\$9,608,587)	(\$9,236,829)
Budget Target @ -10.0%	(\$12,010,734)	(\$11,546,036)



Amended FY 2009 Budget Cuts

Item	6% Cuts	8% Cuts	10% Cuts
FY 2009 TARGET	\$7,206,440	\$9,608,587	\$12,010,734
General Operating Reductions:			
Personal Services	\$300,000	\$750,000	\$1,000,000
Regular Operating	250,000	250,000	500,000
Contracts	156,440	358,587	1,260,734
CMO External Quality Review Contract	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Subtotal	\$3,706,440	\$4,358,587	\$5,760,734



Amended FY 2009 Budget Cuts

Item	6% Cuts	8% Cuts	10% Cuts
FY 2009 TARGET	\$7,206,440	\$9,608,587	\$12,010,734
Program Specific Reductions:			
Rural Health Grant	-	\$250,000	\$250,000
HIE Pilots	-	500,000	500,000
SE Firefighters Foundation	\$400,000	400,000	400,000
GA Assoc of Primary Health Care	-	1,000,000	2,000,000
Safety Net Clinics	950,000	950,000	950,000
SB 404 GA Health Marketplace	2,000,000	2,000,000	2,000,000
GA Wellness Incentive Pilot	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Subtotal	\$3,500,000	\$5,250,000	\$6,250,000
TOTAL REDUCTIONS	\$7,206,440	\$9,608,587	\$12,010,734



FY 2010 Budget Cuts

Item	6% Cuts	8% Cuts	10% Cuts
FY 2010 TARGET	\$6,927,622	\$9,236,829	\$11,546,036
General Operating Reductions:			
Personal Services	\$344,095	\$1,000,000	\$1,000,000
Regular Operating	250,000	500,000	500,000
Contracts	133,527	786,829	2,246,036
CMO External Quality Review Contract	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Subtotal	\$3,727,622	\$5,286,829	\$6,746,036



FY 2010 Budget Cuts

Item	6% Cuts	8% Cuts	10% Cuts
FY 2010 TARGET	\$6,927,622	\$9,236,829	\$11,546,036
Program Specific Reductions:			
Rural Health Grant	-	\$250,000	\$500,000
HIE Pilots	-	500,000	1,000,000
Hughes Spalding Hospital	\$1,500,000	1,500,000	1,500,000
SE Firefighters Foundation	400,000	400,000	500,000
SB 404 GA Health Marketplace	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
Subtotal	\$3,200,000	\$3,950,000	\$4,800,000
TOTAL REDUCTIONS	\$6,927,622	\$9,236,829	\$11,546,036



STATE HEALTH BENEFIT PLAN



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

State Health Benefit Plan

Budget Instructions – no expenditure reductions required at this time

FY 2009 and FY 2010 Budget Request considers:

- Moving to two statewide health plan vendors, each offering the following choices:
 - Health Reimbursement Account-based (HRA) Plan
 - High Deductible Health Plan (HDHP)
 - PPO
 - HMO
 - Medicare Advantage
- Strategic premium pricing utilized to provide incentives to enroll in CDH plans and Medicare



OFFICE OF REGULATORY SERVICES



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Addition of ORS to DCH Budget

- Senate Bill 433 requires the transition of certain functions of the Office of Regulatory Services from the Department of Human Resources to the Department of Community Health effective July 1, 2009.
 - **Long-Term Care Section**: The function of regulating 377 nursing homes, 11 intermediate care facilities (ICF) for people with mental retardation, and 1,934 Personal Care Homes will move to DCH. Regulation of 367 Community Living Arrangements will remain with DHR.
 - **Health Care Section**: The function of regulating Hospitals, Ambulatory Surgical Center, Birthing Centers, Home Health Agencies, ICF for Mentally Retarded, Traumatic Brain Injury Facilities, Private Home Care Providers, and Imaging Centers will move to DCH.
 - Related administrative services for the transferred sections will be moved to DCH.



ORS FY 2010 Budget

- Approximately 171 positions will transfer, of which 143 are filled positions.
- An independent CPA firm has recommended a total budget transfer of \$12,602,344 in total funds and \$5,624,546 in state funds.
 - 82% for Personal Services
 - Includes federal Medicaid and Medicare fund sources
- We are currently working with DHR and OPB to achieve a mutually agreed upon amount to transfer between the two agencies.



PEACHCARE FOR KIDS



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

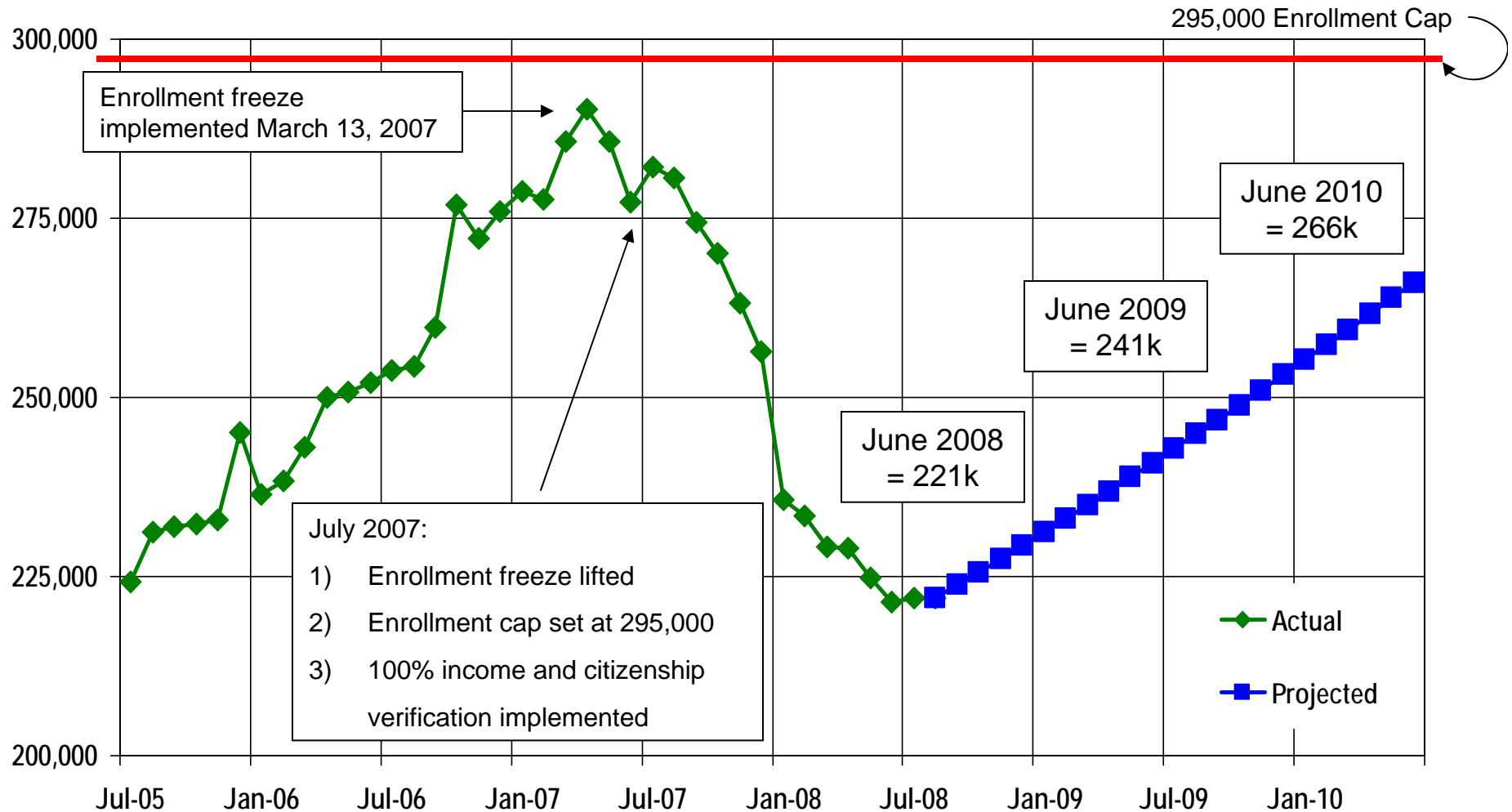
PeachCare for Kids

Factors influencing PCK expenditures in 2008

- Eligibility Criteria more stringently applied (e.g., required proof of income and citizenship instead of self-attestation)
 - Enrollment declined by 22% or 60,736 members between July 2007 and June 2008;
- Renegotiation of CMO cap rates for July 2007 resulted in 15% reduction in PMPM



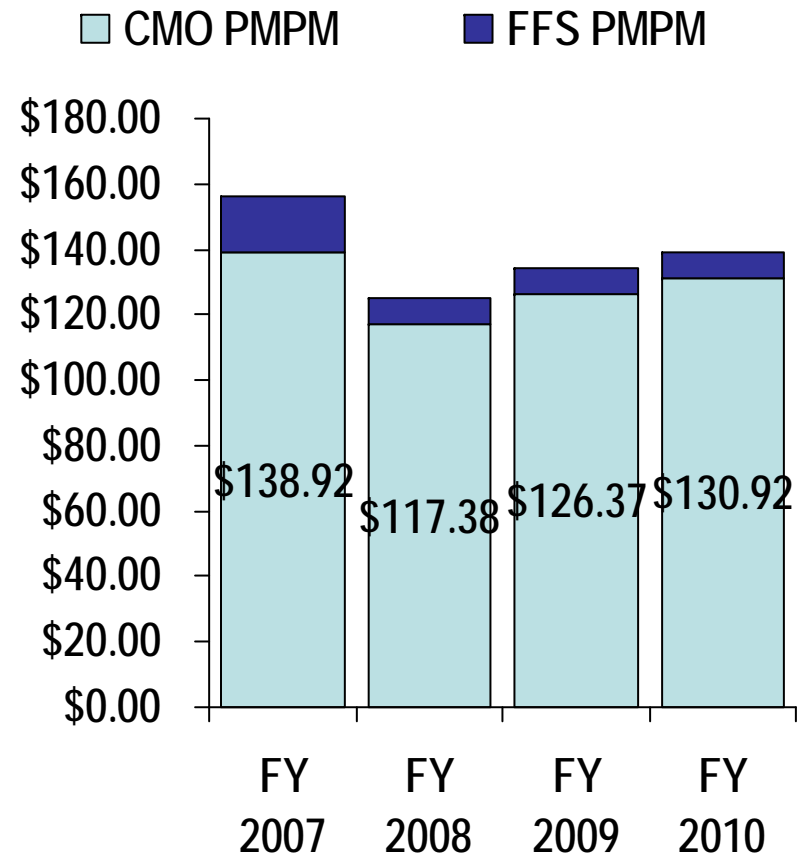
PeachCare for Kids: Enrollment



FY 2009 and FY 2010: PMPM Expenditure Growth

PMPM Influences

- Renegotiated CMO rates in FY 2008, including transferring some fixed administrative CMO costs to Medicaid capitation rates
- FY 2009 includes HB 990 and HB 1234 fiscal impact
- Rates at very low end of actuarially sound rate range for 2009.
- Medical inflation applied to estimate 2010



PeachCare for Kids Federal Funding

Uncertainty of federal program's continuation

- Need for Congress to reauthorize SCHIP by March 30, 2009
- Federal Funds sufficient to cover expenditures through March 30, 2009
- Budget request assumes federal funding sufficiently available beginning April 1, 2009 through June 30, 2010



PeachCare for Kids

State Fund Status

In millions	FY 2008 Actual*	FY 2009 Projected	FY 2010 Projected
State Fund Revenue (before reductions):	\$96.8	\$95.6	\$98.3
% change		-1.2%	2.8%
State Fund Expense	(\$85.1)	(\$81.7)	(\$96.6)
% change		-4.0%	18.2%
Surplus/(Deficit)	\$11.7	\$13.9	\$1.7
Return to Treasury	\$11.7		
*unaudited			



MEDICAID BENEFITS



GEORGIA DEPARTMENT OF
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Previous Medicaid Cost Control Initiatives

FY 2004 - 2005

- Pharmacy Program Management
 - Preferred Drug List
 - Supplemental Rebates
 - Quantity Limits
- Outpatient hospital reimbursement reduced

FY 2006

- Care Management Organizations
Statewide capitated program for Low Income Medicaid and PeachCare for Kids - June 2006
- Disease Management for select Aged, Blind, and Disabled members

FY 2006 (continued)

- Eligibility Criteria more stringently applied
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

FY 2007

- Administrative Services for non-CMO members
 - Level of Care Determination
 - Clinical Reviews
 - Fraud and Abuse



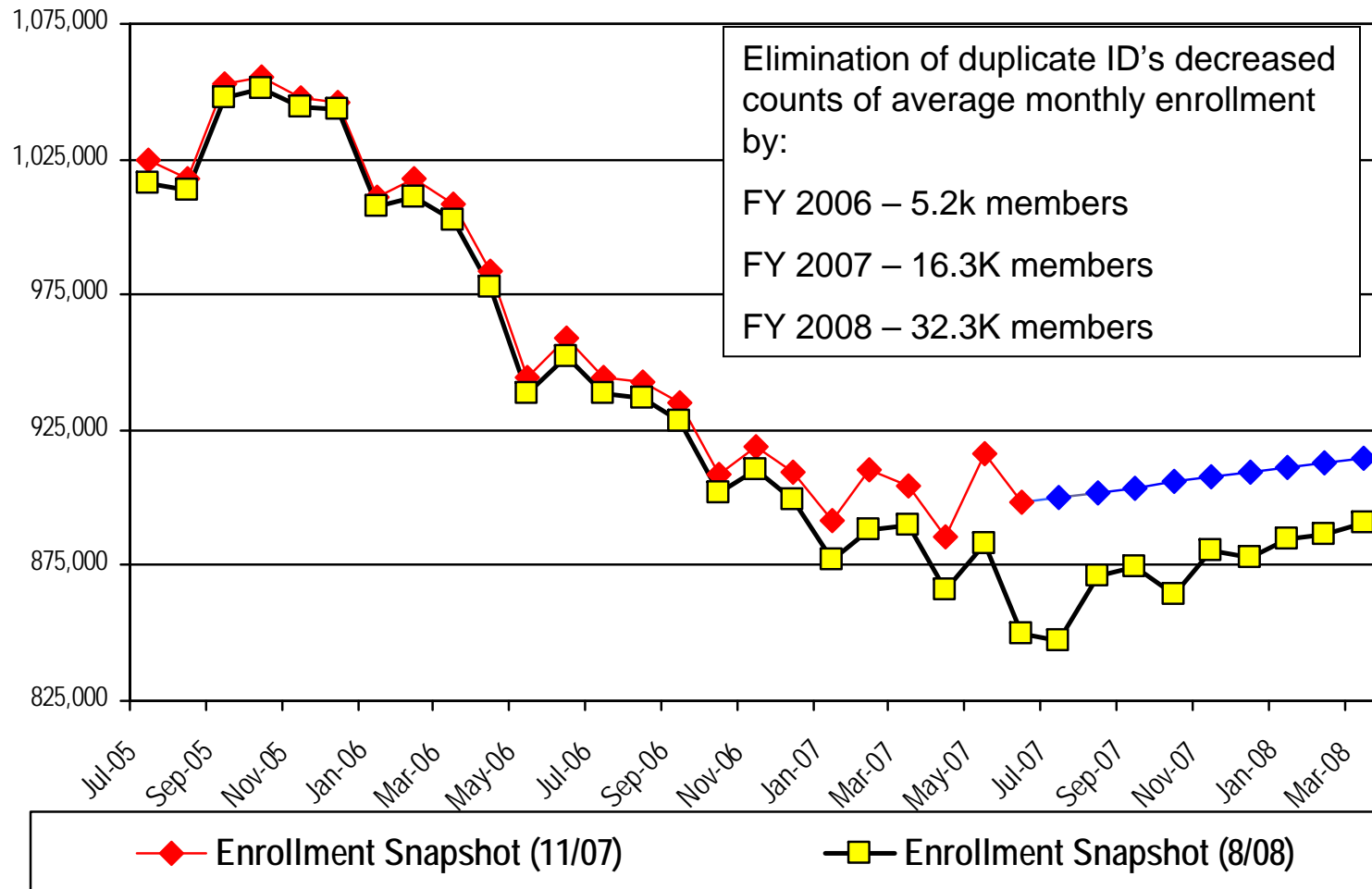
Medicaid Expense Drivers (Savers) Today

Factors influencing Medicaid expenditures in 2008

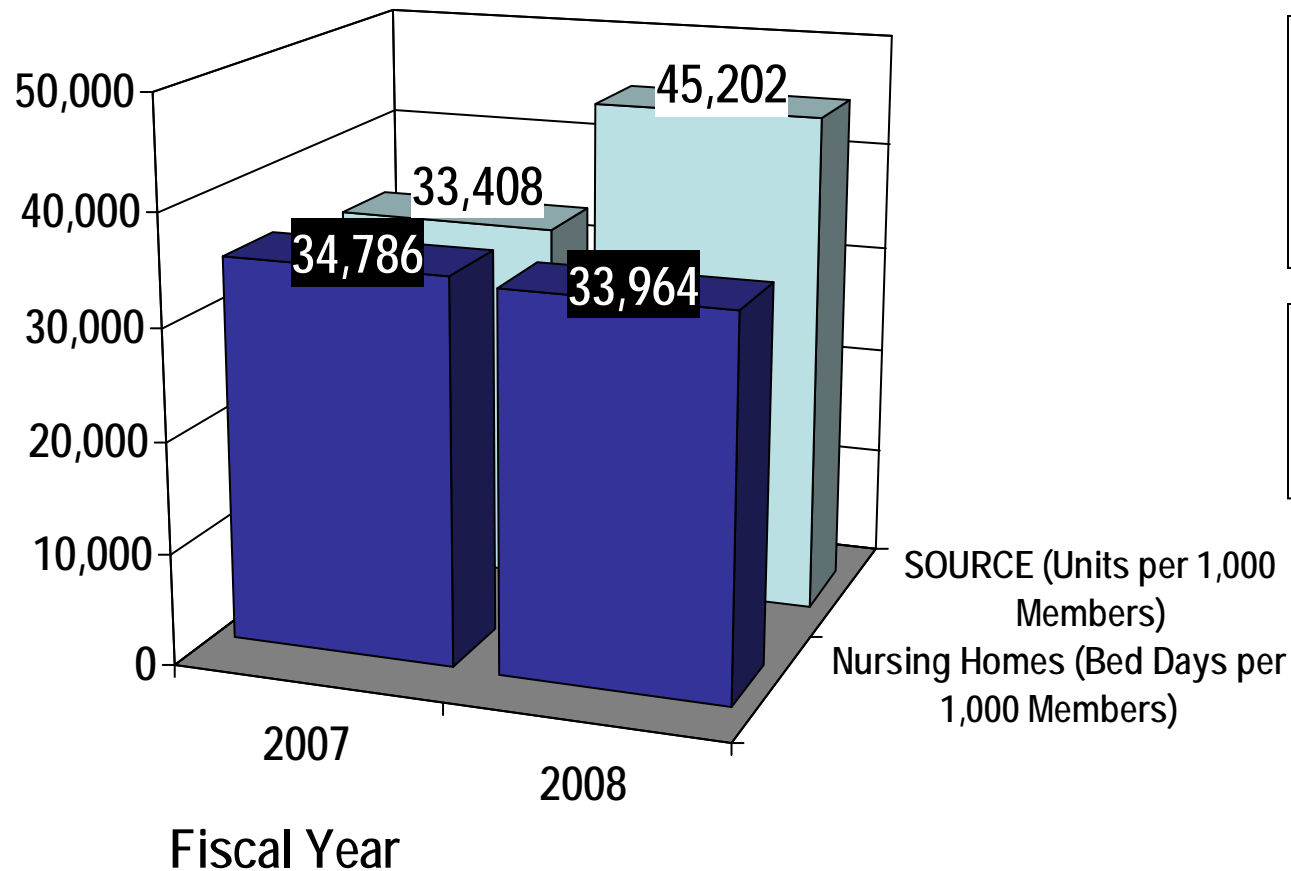
- Review and Removal of duplicate Medicaid ID's
- Focus on community-based long term care services to delay/avoid institutional care
- Impact of Disease Management for select Aged, Blind, and Disabled members
- Medicaid Program Integrity
 - Fraud and Abuse Detection
 - False Claims Act



Impact of Duplicate ID Elimination on LIM Enrollment Projection



Long-Term Care Services



2.4% Decrease
in Nursing
Home
Utilization

35.3% Increase
in SOURCE
Utilization



Disease Management

- Disease Management vendors serving ~100,000 members in Aged, Blind, and Disabled evaluated for their ability to “bend historical trends” in cost
- Evaluation of 1st year of program (May 06 – Apr 07)

	Region 1	Region 2
Annual Growth Benchmark Vendor Performance must be lower than this to achieve required savings	11.5%	9.4%
Vendor Performance	5.3%	4.7%

- Savings continue in Year 2 (FY 2008)*

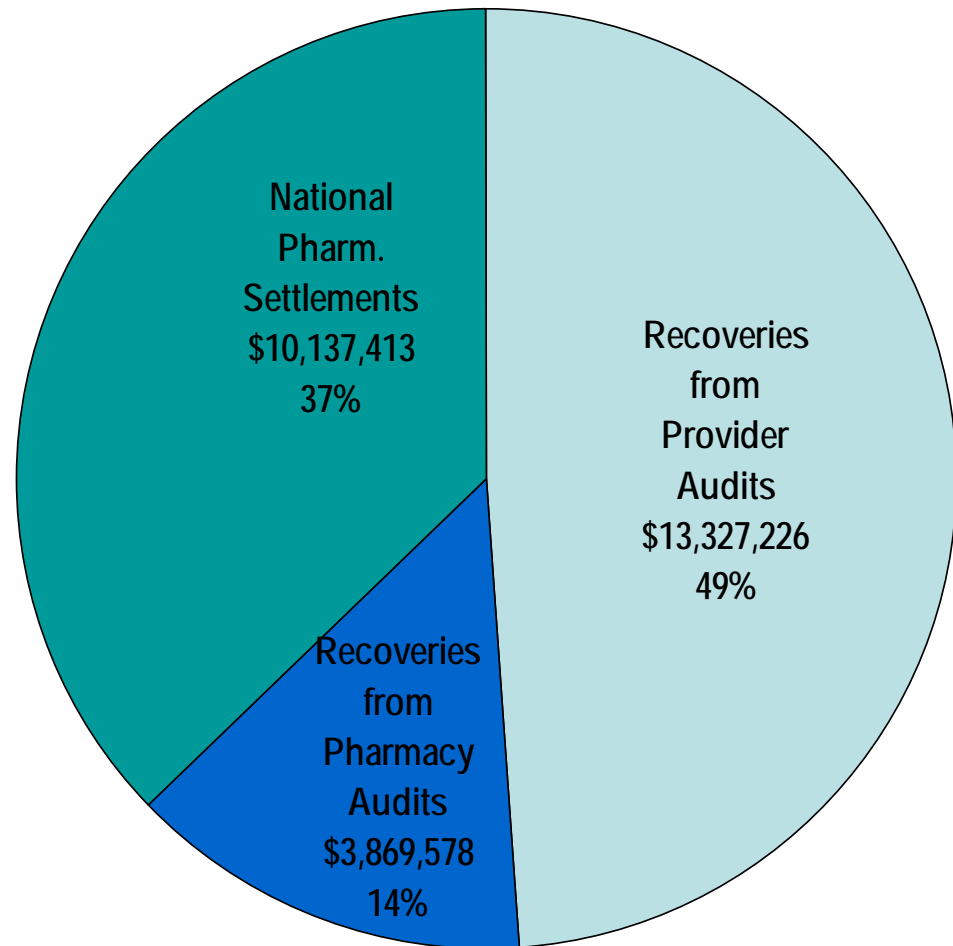
*not affirmed until Year 2 financial performance evaluation



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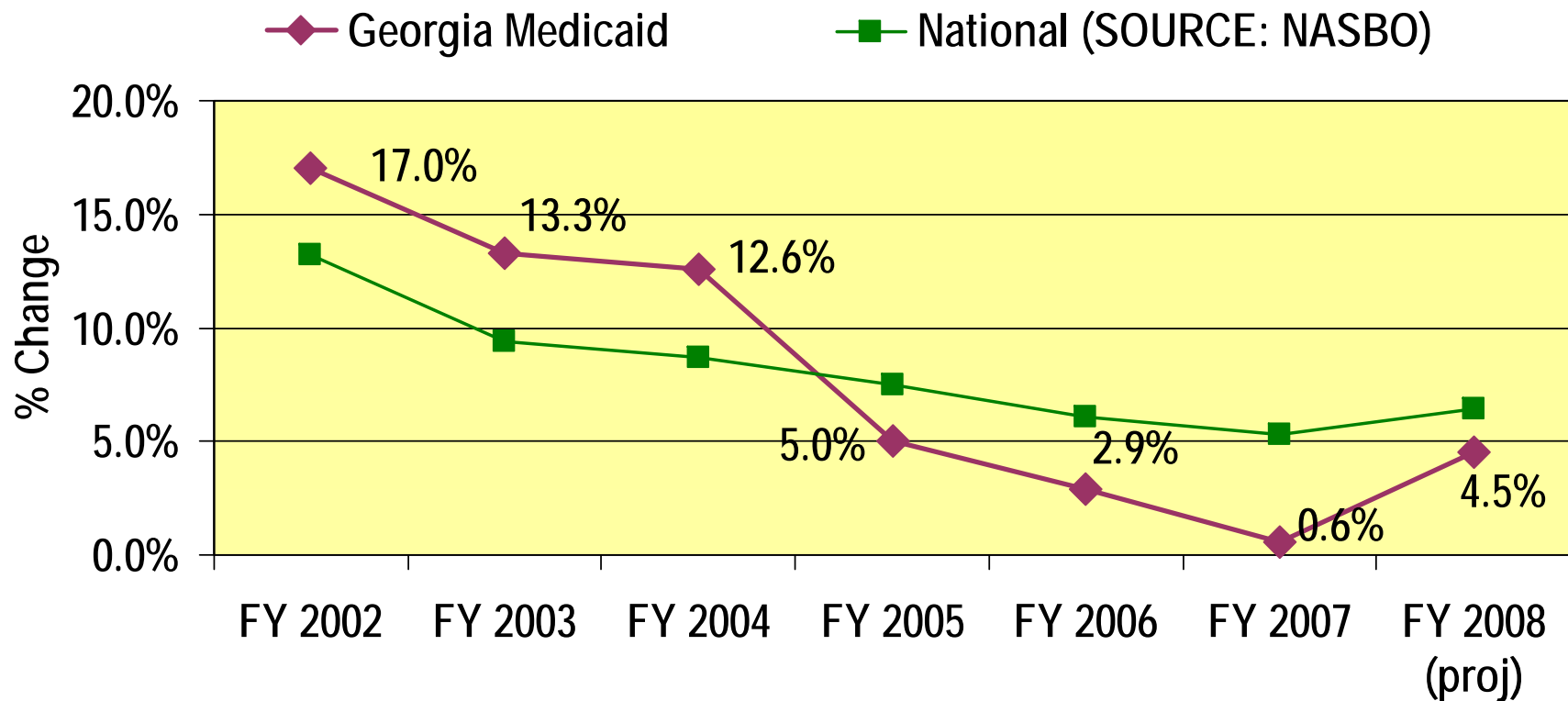
Program Integrity Recoveries

In FY 2008 the Department's program integrity efforts saved Georgia \$27.3 million in total funds and \$10.2 million in state funds.



Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures

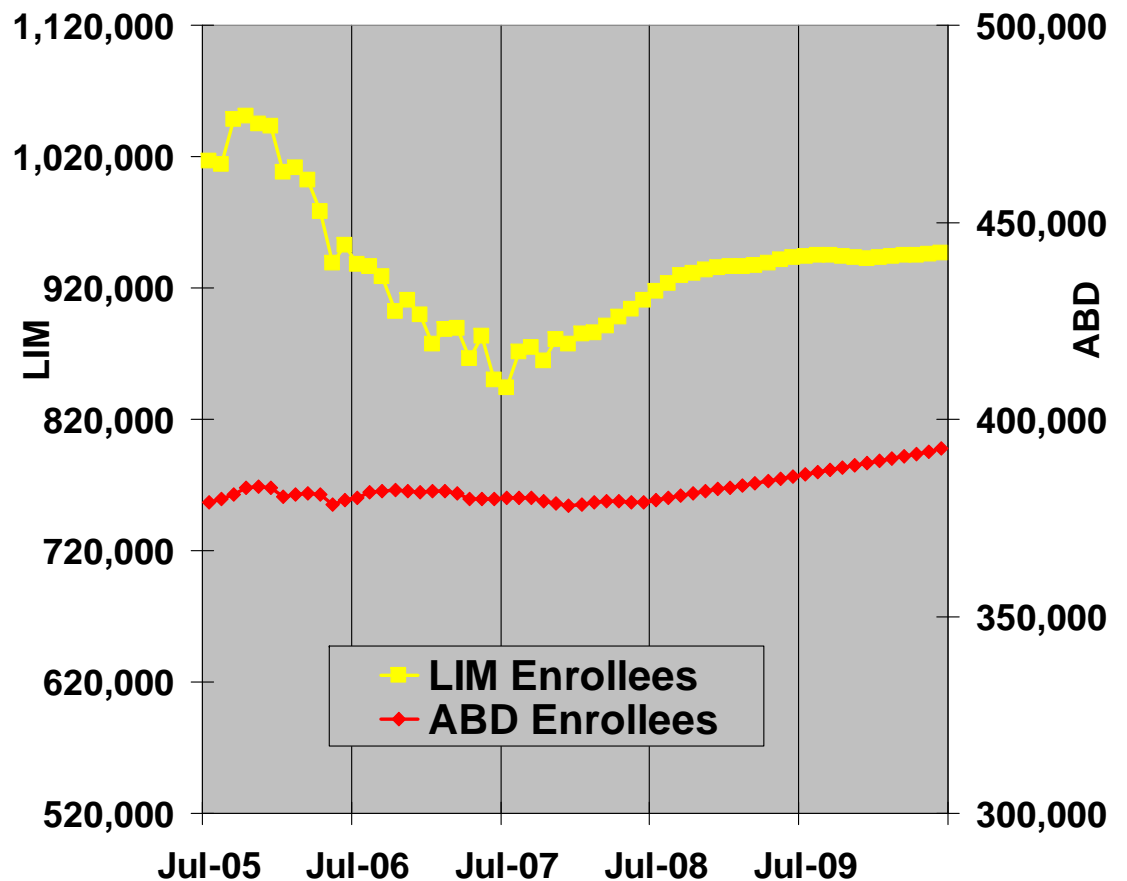


FY 2009 and FY 2010: Medicaid Enrollment Projection

In FY 2009, overall monthly enrollment **increases 2.3%** from 1.29 million in June 2008 to 1.32 million in June 2009.

In FY 2010, monthly enrollment **increases 1.5%** from 1.32 million in June 2008 to 1.34 in June 2009.

Considered projected FY 2009 and FY 2010 unemployment rate growth as calculated by the Governor's economist, as well as state population growth.



Medicaid: FY 2009 and 2010 Projected Fee-for-Service PMPM

Inflationary growth based on Global Insight Quarterly Health Care Cost Review.

- Inflation index for Medical Services
 - 3.8% for FY 2009
 - 3.6% for FY 2010
- Applied to the previous year PMPM by program group.
- Projected PMPM's consider FY 2009 rate increases approved by the General Assembly



Medicaid: FY 2009 and 2010 Projected Georgia Families CMO PMPM

FY 2009:

CMO Rate Update:

- Actuaries used CMO actual experience for June 2006-September 2007.
- Consider impact of HB 990 provider rate enhancements and HB 1234 – Medicaid CMO Act
- Projected **net increase of 5.3%** based on expected FY 2009 enrollment
- Pending CMS approval

FY 2010:

- Assume medical inflationary growth based on Global Insight Quarterly Health Care Cost Review.



Medicaid: State Fund Status

In millions	FY 2008 Actual*	FY 2009 Projected	FY 2010 Projected
State Fund Revenue (before reductions)	\$2,599.9	\$2,436.5	\$2,236.2
% change		-6.3%	-8.2%
State Fund Expense	\$2,266.8	\$2,383.0	\$2,460.4
% change		5.1%	3.2%
Surplus/(Deficit)	\$333.1	\$53.5	(\$224.2)
Reserve for FY 2009 per HB 989	(\$204.9)		
Return to Treasury	\$128.2		
* unaudited			



Benefits Summary

in millions	Medicaid	PeachCare	Total
	Funds Returned to Treasury		
FY 2008*	\$128.2	\$11.7	\$139.8
	Projected Surplus/Deficit Before 5% Cuts		
FY 2009 Projected	\$53.5	\$13.9	\$67.4
FY 2010 Projected	(\$224.2)	\$1.7	(\$222.5)

* unaudited



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Medicaid and PeachCare Budget Benefit Reductions



GEORGIA DEPARTMENT OF
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Required Reductions in Benefits

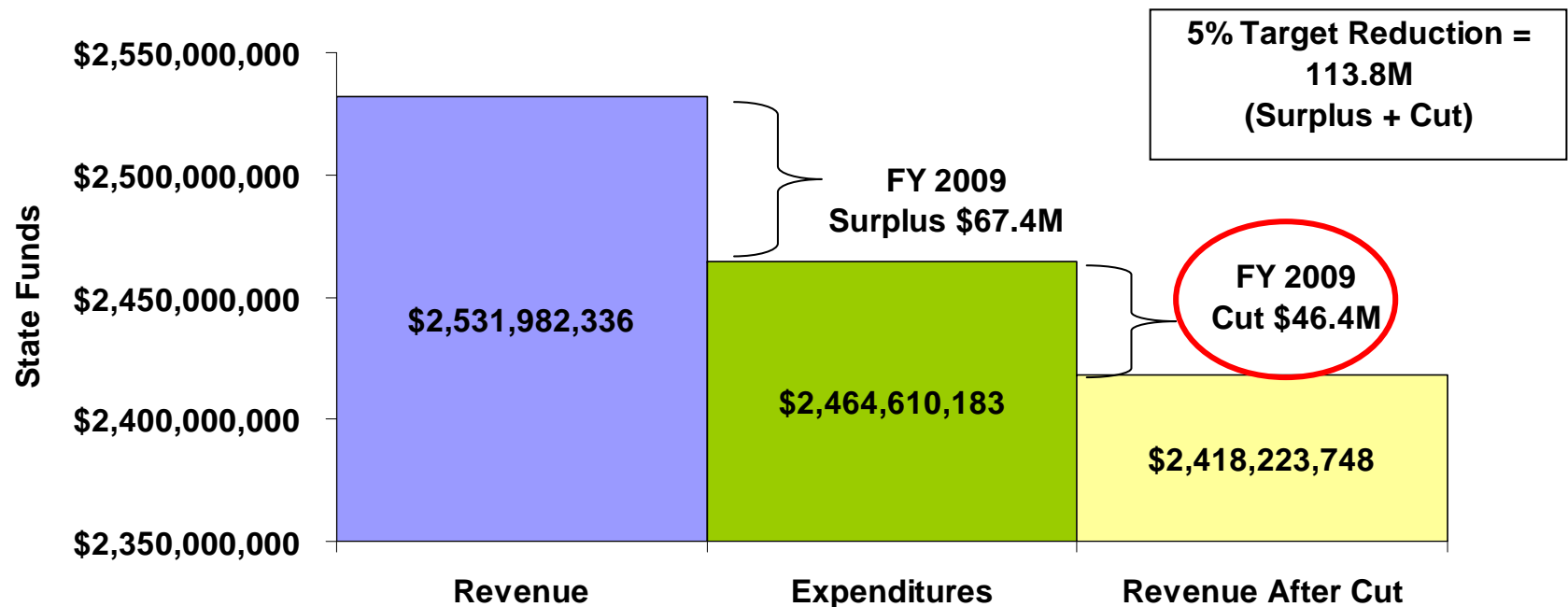
INSTRUCTION: Reduce Medicaid and PCK Benefits state funds by 5% = \$113.8 million in both AFY 2009 and 2010.

DCH Priorities: (listed in order of most important items to preserve and fund)

1. People in Need
2. Provider Payment for Care
3. CMO Health Plan Rates
4. Capital Expenditures for Providers
5. Medicaid Financial Integrity and Recovery



FY 2009 Medicaid and PeachCare State Fund Target for Benefits Reduction



AFY 2009 Budget Recommendations

		In State Funds
	Target Reduction @ 5%	(\$113,758,588)
	Projected Cash Surplus	(\$67,372,153)
	Recommended Additions	
1.	Provide state matching funds for private DSH hospitals with deemed status	\$7,000,000
	Total Additions	\$7,000,000



AFY 2009 Budget Recommendations (cont.)

		In State Funds
	Recommended Reductions	
1.	Utilize newly available data to identify Georgia Medicaid members who are eligible for coverage through other third party payers (includes 2 positions to support initiative).	(\$1,743,000)
2.	Reduce capitation payments paid to Peachstate to reflect their use of Grouper 16 for inpatient hospital payments (considers a loss in the CMO Quality Assessment Fee revenue.)	(1,657,559)
3.	Delay the conversion to the Fair Rental Value System for capital reimbursements for nursing homes to July1, 2009.	(12,658,580)



AFY 2009 Budget Recommendations (cont.)

	In State Funds
Recommended Reductions (continued)	
4. Delay Medicaid and PeachCare provider rate enhancements authorized in HB 990 until July 1, 2009.	
• Nursing Homes	(\$6,784,574)
• Dentists	(1,227,500)
• Physicians\Practitioners (including digital mammography, global maternity, EPSDT and RBRVS update)	(12,987,151)
• Hospitals	(22,190,326)
• Home Health Providers	(1,373,455)
• Independent Care Waiver Providers	(355,598)
• Ambulance Providers	(1,498,048)
• Consider loss in CMO Quality Assessment Fee Revenue	4,957,871



AFY 2009 Budget Recommendations (cont.)

		In State Funds
	Recommended Reductions (continued)	
5.	Delay inflationary growth in CMO rates until July 1, 2009; however, ensure CMO rates are actuarially sound (considers a loss in the CMOs Quality Assessment Fee revenue).	Yes
6.	Delay implementation of 75 new Independent Care Waiver Program slots until January 1, 2009.	<u>(\$586,822)</u>
	Total Reductions	(\$58,104,741)

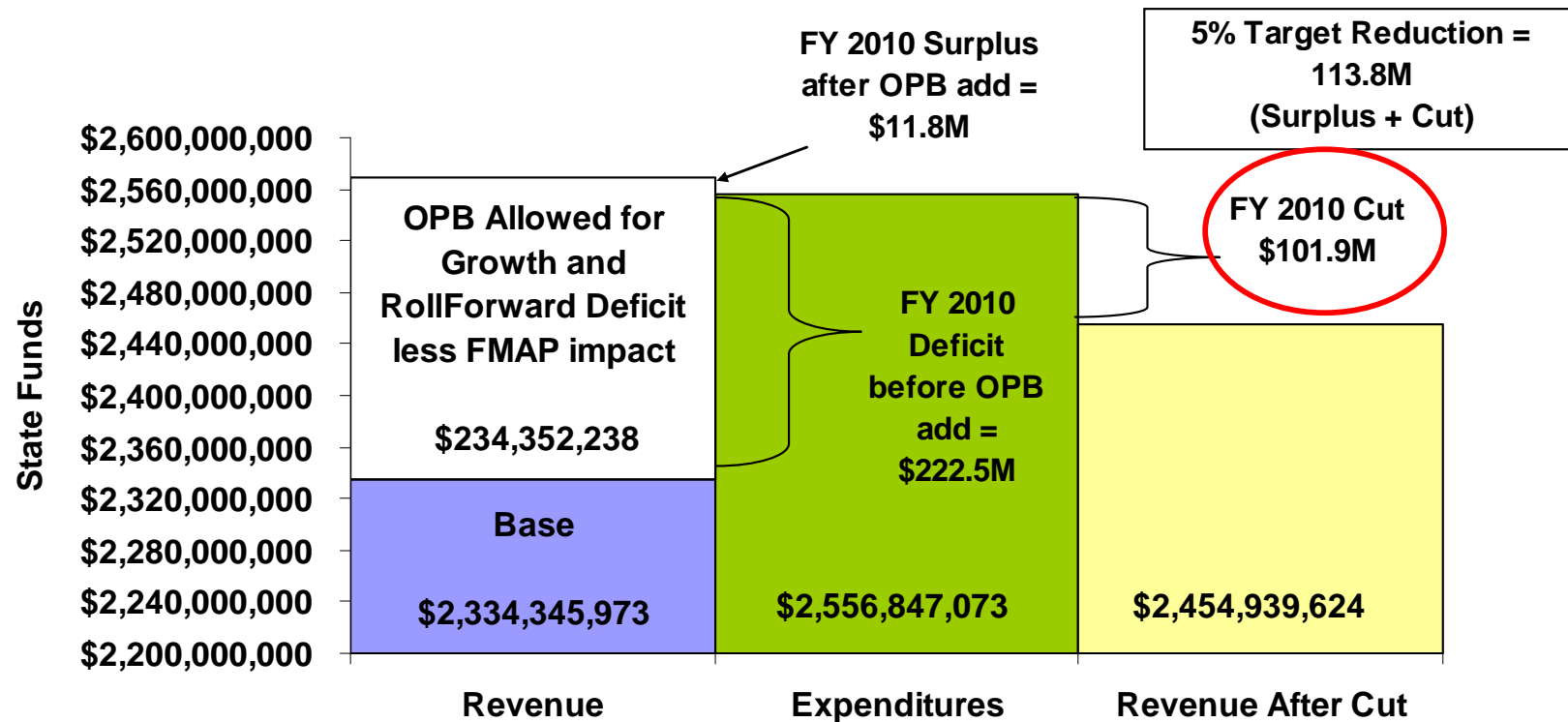


AFY 2009 Budget Recommendations

SUMMARY	In State Funds
Target Reduction @ 5%	(\$113,758,588)
Projected Surplus	(\$67,372,153)
Total Additions	\$7,000,000
Total Reductions	<u>(\$58,104,741)</u>
Total Net Change	(\$118,476,895)
Compared to Target Met/(Did Not Meet)	\$4,718,307



FY 2010 Medicaid and PeachCare State Fund Target for Benefits Reduction



FY 2010 Budget Recommendations

		Recommended
	Target Reduction @ 5%	(\$113,758,588)
	Base Adjustments	
1.	Addition to Cover Projected Cash Deficit (due to Growth and no Roll Forward)	\$222,501,100
2.	Less OPB Revenue to Cover Roll Forward Deficit	(204,900,682)
3.	Less OPB Revenue for Allowed Growth	<u>(29,451,556)</u>
	Total Adjustments	(\$11,851,138)
	Recommended Additions	
1.	Add 100 ICWP slots to support the Money Follows the Person Initiative	<u>\$1,572,750</u>
	Total Additions	\$1,572,750



FY 2010 Budget Recommendations (cont.)

		Recommended
	Recommended Policy Changes	
1.	Utilize newly available data to identify Georgia Medicaid members who are eligible for coverage through other third party payers (includes 2 positions to support initiative).	(\$3,395,000)
2.	Reduce capitation payments paid to Peachstate to reflect their use of Grouper 16 for inpatient hospital payments (considers a loss in the CMO Quality Assessment Fee revenue.)	(1,810,371)
3.	Utilize 80% of the 2007 Medicare reimbursement schedule to reimburse the cost of Injectable Drugs provided in a physician's office.	(5,000,000)
4.	Reimburse providers of durable medical equipment at 80% of the 2007 Medicare reimbursement schedule.	<u>(1,200,000)</u>
	Subtotal Policy Changes	(\$11,405,371)
	Remaining Target	(\$92,074,829)



CMO Quality Assessment Fee

- Enacted in state law in May 2005
- Each CMO assessed a QA fee based on a percentage of their gross direct premiums. Currently at 5.5%.
- Provides a matching state fund source to draw down federal Medicaid and PCK revenue
 - FY 2010 projected net proceeds = \$89.9 million
- Use of fees to match federal funds driven by federal regulation



Federal Definition Change

- State definition of a “CMO” linked to federal definition.
- Currently, “CMO” federally defined as “Medicaid Managed Care Organization”
 - CMOs paying fee are limited to Amerigroup, Wellcare, and Peachstate
- Effective 10/1/09, the federal definition changes from “Medicaid Managed Care Organizations” to “Managed Care Organizations”
 - CMOs subject to fee will expand to all CMOs/HMOs in the state operating under a certificate of authority from the Department of Insurance



Impact of Federal Change

Choice A:

- Continue with QA fee
- Comply with federal law by expanding the assessment to apply to all managed care plans, not just Medicaid CMOs

Choice B:

- Discontinue the use of the QA fee
- Reduce Benefits expenditures by \$90 million to address the loss of CMO QA fee revenue projected to be received from the Medicaid CMOs in FY 2010



FY 2010 Budget Recommendations (cont.)

ADDITIONAL OPTIONS TO MEET TARGET	CHOICE A Recommended Option (CMO QA Fee Expansion)	CHOICE B Alternative Option (No CMO QA Fee Expansion)
Remaining Target to Meet	(\$92,074,829)	(\$92,074,829)
CHOICE A: Recognize additional CMO QA fee revenue due to change in federal definitions of the provider class.*	<u>(\$112,173,839)</u>	n/a
CHOICE B: Replace the lost CMO QA fee revenue with state funds if program is not compliant with federal definitions of the provider class.	n/a	<u>\$89,900,000</u>
Revised Remaining Target	n/a – Target Exceeded by \$20,099,011	(\$181,974,829)

* Assumes a fee of 3%.



FY 2010 Budget Recommendations (cont.)

ADDITIONAL OPTIONS TO MEET TARGET		CHOICE B - Alternative Option (No CMO QA Fee Expansion) In State Funds
	Revised Remaining Target	(\$181,974,829)
2.	Further delay the conversion of the Fair Rental Value System for capital reimbursement for nursing homes to July 1, 2010.	(\$12,841,829)
3.	Delay inflation growth in CMO rates until July 1, 2010; however, ensure CMO rates are actuarially sound (considers a loss in the CMO Quality Assessment Fee revenue)	(15,879,831)



FY 2010 Budget Recommendations (cont.)

ADDITIONAL OPTIONS TO MEET TARGET		CHOICE B - Alternative Option (No CMO QA Fee Expansion) In State Funds
4.	Further delay Medicaid and PeachCare provider rate enhancements authorized in HB 990 until July 1, 2010.	
	• Nursing Homes	(\$6,882,799)
	• Dentists	(1,257,390)
	• Physicians\Practitioners (including digital mammography, global maternity, EPSDT and RBRVS update)	(13,372,358)
	• Hospitals	(22,807,285)
	• Home Health Providers	(1,399,028)
	• Independent Care Waiver Providers	(360,770)
	• Ambulance Providers	(1,518,501)
	• Consider loss in CMO Quality Assessment Fee Revenue	5,349,316



FY 2010 Budget Recommendations (cont.)

ADDITIONAL OPTIONS TO MEET TARGET		CHOICE B - Alternative Option (No CMO QA Fee Expansion) In State Funds
5.	Eliminate Medicaid coverage for Foster Care Children ages 19-20 (i.e. Chafee Option)	(\$1,143,844)
6.	Reduce the enrollment cap for PeachCare for Kids (PCK).	(3,768,159)
7.	Freeze enrollment in PCK (would replace item #6).	(10,683,145)
8.	Increase premiums for PCK members by 10%.	(527,947)
9.	Implement PCK premiums for children between the ages of 2 and 5.	(1,314,538)
10.	Eliminate PCK coverage for future members between 200% and 235% FPL (already accomplished in #7.)	-
11.	Eliminate dental benefits for PCK.	(14,836,414)



FY 2010 Budget Recommendations (cont.)

ADDITIONAL OPTIONS TO MEET TARGET		CHOICE B - Alternative Option (No CMO QA Fee Expansion) In State Funds
12.	Eliminate the medically needy category of eligibility.	(\$15,070,920)
13.	Eliminate the Katie Beckett category of eligibility.	(7,927,920)
14.	Eliminate dental benefits for pregnant women.	<u>(1,911,841)</u>
	Total Additional Options	(\$128,154,954)
	Remaining Target	(\$181,974,829)
	Compared to Target Met/(Did Not Meet)	(\$53,819,875)



FY 2010 Budget Recommendations

SUMMARY	CHOICE A Recommended Option (CMO QA Fee Expansion)	CHOICE B Alternative Option (No CMO QA Fee Expansion)
Target Reduction @ 5%	(\$113,758,588)	(\$113,758,588)
Base Adjustments	(\$11,851,138)	(\$11,851,138)
Additions	\$1,572,750	\$1,572,750
Policy Changes	(\$11,405,371)	(\$11,405,371)
Fee expansion	(\$112,173,839)	n/a
Loss of Existing Fee	n/a	\$89,900,000
Additional Reduction Options	<u>\$0</u>	<u>(\$128,154,954)</u>
Total Net Change	(\$133,857,599)	(\$45,102,300)
Compared to Target Met/(Did Not Meet)	\$20,099,011	(\$53,819,875)



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Presentation on DCH Website

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